

WONG STANLEY: *The Foundations of Paul Samuelson's Revealed Preference Theory*. A Study by the Method of Rational Reconstruction. London 1978. Routledge & Kegan Paul. 148 pp.

WONG's book has two separate purposes. The first purpose is to undertake an in-depth study of PAUL SAMUELSON's revealed preference theory of consumer choice. The second purpose is to utilize a novel method of historical explication in this study. These two purposes are separate, but inexorably intertwined in the overall evaluation of the work. Since most readers of this review are aware of the basic tenets of SAMUELSON's theory, the bulk of the comments will be confined to the lesser known methodological position which WONG advocates.

The historical method for the study is what WONG terms the method of 'rational reconstruction'. It is actually the method of 'situational analysis' advocated by the philosopher Karl Popper (Popper, 1972, pp. 170–190)<sup>1</sup>. The use of the term rational reconstruction is somewhat deceptive since it has been used by philosophers of science (notably IMRE LAKATOS) in a related but slightly different context.

The idea of a rational reconstruction is to gain an understanding of a scientific theory by understanding the behavior of the theorist who proposed it. By understanding the problem-situation of the theorist, the historian can gain an understanding of why the theory was offered and why the theorist felt it was an adequate solution to the problem. The theorist is assumed to operate with a 'rationality' – a certain 'situational logic' which guides him/her through the problem to the eventual solution – the theory itself.

This conception of theory choice should be familiar to any economist since it follows very closely to the conventional wisdom of the profession about 'choice' in general. The theorist is seen as an individual with certain theoretical aims resulting from a given problem situation. The scientific theory is the result of attempting to find the best way of fulfilling the aims given the situational constraints. These situational constraints might be very narrow or very broad. In the analysis of SAMUELSON's theory WONG includes such broad constraints as SAMUELSON's ontological and epistemological commitments.

WONG applies this method of rational reconstruction to SAMUELSON's theory of revealed preference, and finds it inadequate in a number of ways. He argues that SAMUELSON's published work on revealed preference theory is the result of three separate problem situations. In each of these cases the theory is found to be inconsistent internally – that is, given the specific problem situation – and in addition, the separate rational reconstructions are found to be mutually inconsistent.

Probably the work's greatest contribution, other than the novelty of its method, is that WONG does an excellent job of presenting – in the context of economic theory – various arguments that have been prominent in the philosophy

1. KARL R. POPPER: *Objective Knowledge*. Oxford 1972.

of science literature during the last twenty years. For example, his general critique of SAMUELSON's operationist methodology and descriptivist epistemology is elegantly devastating. Also, the delineation of his preferred alternative to SAMUELSON's philosophy of science – that is – the philosophy of KARL POPPER, is equally as lucid.

It must be recognized that none of these ideas are unique to WONG, they have long been available in the philosophy of science literature. In the critique of SAMUELSON, WONG relies exclusively on issues such as 'theory-ladenness of observational terms', the 'paradoxes of confirmation', and the use of the 'deductive-nomological' model of scientific explanation. While these topics are not part of most economists' day-to-day discussions, in terms of philosophy of science, they are 'old hat'. Therefore, the originality of such ideas in the context of SAMUELSON's methodology is to a certain extent a testimonial to the philosophic innocence of some of our discipline's methodologists rather than original insight on the part of the author.

The presentation of POPPER's philosophy of science, while lucid, is again not unique. POPPERIAN ideas have long been influential in discussions of economic methodology, particularly through the work of T. W. HUTCHINSON and MILTON FRIEDMAN. It is clear from his presentation that WONG ascribes to a more 'strictly POPPERIAN' view than either of the above, better-known economists. While FRIEDMAN and HUTCHINSON both espouse POPPER's method of 'falsificationism', FRIEDMAN combines it with a non-POPPIERIAN 'instrumentalist' epistemology, and HUTCHINSON combines it with a sort of realist-essentialism, also uncharacteristic of POPPER.

Given the choices available, it is possible to accept WONG's criticism of SAMUELSON's operationalism without abandoning revealed preference theory, simply by regarding it as an elaboration of the accepted view of ordinal utility theory. WONG believes that his work undermines ordinal utility theory as well as revealed preference theory, and a large portion of accepted economic theory in general. He argues that SAMUELSON's operationalism has won the methodology debate in economics. He also argues, more correctly, that revealed preference theory is the cornerstone of that methodology. Thus, his position is that the inadequacy of revealed preference has critical implications for economic theory in general. While a review is not the place for a detailed elaboration, it must be stated that the logic of this sequence is less than impeccable.

Despite the fact that it is not the powerful critique it seems the author intended, the book is certainly significant. It is well-documented and written with a philosophic rigor which is unusual in the economic profession. Overall, it is very worthwhile and represents (hopefully) the first in a long series of rationally-reconstructed studies in the history of economic thought.

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